

TO: Department of Water Resources
FROM: State Water Contractors¹
DATE: January 29, 2014
SUBJECT: 51(e) Reporting Requirements for Extension of the State Water Project² Water Supply Contracts

This document contains additional proposed Statement of Principles that could provide the foundation for an agreement among the State Water Project Contractors³ (Contractors) and the Department of Water Resources (DWR) that will extend the contracts.

1.0 REPORTING REQUIREMENTS

Principle 1: For the purposes of full disclosure, DWR will determine and report the gross annual 51(e) revenues. Gross annual 51(e) revenues in addition to the annual amount of excess determined in Article 51(e)(1)(iii) includes the following:

- Amount of costs allocated to recreation and not included in contractor charges. In the absence of payments by the General Fund, the revenues to pay such costs come from 51(e) revenues.
- Interest owed to Contractors in excess of interest earnings, the revenues to pay such costs come from 51(e) revenues.
- The annual deposit pursuant to Article 51 (c)(2)(v) into the State Water Facilities Capital Account, the revenues to pay such funding comes from 51(e) revenues.
- Conservation operating costs that exceed the Delta Water Charge minimum revenues on an annual basis, the revenues to pay such costs come from 51(e) revenues.
- Suspended or Relinquishment costs not included in contractor charges, the revenues to pay such costs come from 51(e) revenues.
- The revenues used to provide the annual charge or rate reductions come from 51(e) revenues.

¹ The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California's State Water Project ("SWP"). Each of the SWC member agencies holds a contract with the California Department of Water Resources ("DWR") to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC's members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Castaic Lake Water Agency; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronio Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.

² The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

³ The State Water Project Contractors includes the SWC organization's 27 member public agencies, Butte County Water and Resource Conservation, and Plumas County Flood Control and Water Conservation District.

Principle 2: 51(e) Report will be a single summary report that will include:

- Annual gross 51(e) revenues and the uses of these revenues regardless of how the expenditures fall within the Burns-Porter priority of revenues.
- Annual gross 51(e) revenues and the uses of these revenues by Fund or Account as authorized under the contract extension amendment.
- Accumulated gross 51(e) revenues and the uses of these revenues by Fund or Account.

Principle 3: 51(e) Report will be generated from the general ledger of the financial information system (system of record), rather than being developed “off book.”

Principle 4: System expenditures are further classified or allocated in the cost accounting system (UCABS) resulting in the majority of 51(e) fund or account general ledger entries to be journal vouchers (JV). Each JV will have auditable supporting documentation.

- Auditability requires that the two separate ledgers, financial general ledger (SAP PR5-FI) and cost accounting ledger (UCABS SAP-CO), be reconciled.

2.0 PROCESS FLOW

